

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 1424 – SB 1477

April 11, 2016

SUMMARY OF ORIGINAL BILL: Reduces the fee for a lifetime handgun carry permit from \$500 to \$200.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$7,279,400/Handgun Permit Division/FY16-17
\$7,279,400/Handgun Permit Division/FY17-18
\$7,279,400/Handgun Permit Division/FY18-19
\$7,279,400/Handgun Permit Division/FY19-20

Decrease State Revenue -
\$784,200/Handgun Permit Division/FY20-21 and Subsequent Years

Decrease State Expenditures-
Exceeds \$163,700/Handgun Permit Division/FY20-21 and Subsequent Years

Other Fiscal Impact – Over the first four years there will be a cumulative increase of state revenue. Beginning in FY20-21, the state begins incurring a recurring reduction of revenue associated with fewer permit renewals, and the extent of reduced revenue will grow gradually over time. It is estimated that the cumulative amount of increased revenue realized in the first four years will be sufficient for covering all subsequent reductions in revenue until FY38-39, at which point the cumulative reductions in revenue will exceed the cumulative increased revenue realized in the first four years.

CORRECTED SUMMARY OF AMENDMENT (015340): Deletes all language after the enacting clause. Reduces the fee for a lifetime handgun carry permit from \$500 to \$300 for initial applicants and \$200 for existing handgun carry permit holders. Establishes an effective date of January 1, 2017.

HB 1424 – SB 1477 (CORRECTED)

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 5, 2016, a fiscal memorandum was issued for this bill as amended with the following estimated impact:

*Increase State Revenue – \$4,152,900/Handgun Permit Division/FY16-17
\$8,305,800/Handgun Permit Division/FY17-18
\$8,305,800/Handgun Permit Division/FY18-19
\$8,305,800/Handgun Permit Division/FY19-20*

*Decrease State Revenue -
Exceeds \$782,700/Handgun Permit Division/FY20-21
and Subsequent Years*

*Decrease State Expenditures-
Exceeds \$133,600/Handgun Permit Division/FY20-21
and Subsequent Years*

Other Fiscal Impact – Over the first four years there will be a cumulative increase of state revenue. Beginning in FY20-21, the state begins incurring a recurring reduction of revenue associated with fewer permit renewals, and the extent of reduced revenue will grow gradually over time. It is estimated that the cumulative amount of increased revenue realized in the first four years will be sufficient for covering all subsequent reductions in revenue until FY52-53, at which point the cumulative reductions in revenue will exceed the cumulative increased revenue realized in the first four years.

Supporting information that was the basis for this estimated fiscal impact has changed due to other enacted legislation. As a result, the fiscal impact for this bill as amended requires correction. The fiscal impact and assumptions have been revised to reflect the new information.

(CORRECTED)

**Increase State Revenue – \$2,600,100/Handgun Permit Division/FY16-17
\$5,200,300/Handgun Permit Division/FY17-18
\$5,200,300/Handgun Permit Division/FY18-19
\$5,200,300/Handgun Permit Division/FY19-20
\$352,700/Handgun Permit Division/FY20-21
\$971,000/Handgun Permit Division/Each Year
FY21-22 through FY23-24**

Decrease State Revenue - \$473,000/FY24-25 and Subsequent Years

**Decrease State Expenditures-
Exceeds \$60,600/Handgun Permit Division/FY20-21
and Subsequent Years**

Other Fiscal Impact – Over the first eight years there will be a cumulative increase of state revenue. Beginning in FY24-25, the state begins incurring a recurring decrease of state revenue into perpetuity associated with fewer permit renewals, and the extent of total reduced state revenue will grow over time. It is estimated that the cumulative amount of increased state revenue realized in the first eight years will be sufficient for covering the reduced state revenue occurring in each of the following 50 years, or through FY73-74, after which the cumulative reductions in state revenue will exceed the cumulative increased state revenue realized in the first eight years.

Corrected assumptions for the bill as amended:

- Based on information provided by the Department of Safety (DOS), most standard handgun carry permits (SHGCP) will now be on an eight-year renewal cycle, rather than a four-year renewal cycle. In addition, the cost of an eight-year initial SHGCP is now \$100, rather than \$115. The cost of an eight-year renewal for a SHGCP remains \$50.
- A five-year average of 54,019 initial SHGCPs are issued each year. An average of 34,161 SHGCP renewals is estimated to be issued each year under the provisions of the bill as amended.
- Public Chapter 281 of 2015 became effective July 1, 2015, authorizing lifetime handgun carry permits (LHGCP) at a cost of \$500 for initial applicants and renewal applicants.
- Due to the lack of historical data relative to the current LHGCP, an estimated 2,700 initial applicants and 1,300 renewal applicants will elect to purchase a LHGCP.
- Projected revenue relative to the current handgun carry permits is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
New Apps	\$5,131,900.00	\$5,131,900.00	\$5,131,900.00	\$5,131,900.00	\$5,131,900.00
Renewals	\$3,286,100.00	\$3,286,100.00	\$3,286,100.00	\$3,286,100.00	\$1,643,050.00
Lifetime	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total	<u>\$10,418,000.00</u>	<u>\$10,418,000.00</u>	<u>\$10,418,000.00</u>	<u>\$10,418,000.00</u>	<u>\$8,774,950.00</u>

- Under the provisions of the bill as amended, the LHGCP fee would become \$300 for initial applicants and \$200 for renewal applicants.
- Due to the lower price of the LHGCP under the provisions of the bill as amended, it is reasonably assumed that 25 percent of all initial and 40 percent of all renewal applicants will choose the lifetime option.

- Projected revenue relative to the provisions of the bill as amended is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
New Apps	\$4,051,425.00	\$4,051,425.00	\$4,051,425.00	\$4,051,425.00	\$4,051,425.00
Renewals	\$2,049,660.00	\$2,049,660.00	\$2,049,660.00	\$2,049,660.00	\$1,024,830.00
Lifetime	\$9,517,185.00	\$9,517,185.00	\$9,517,185.00	\$9,517,185.00	\$4,051,425.00
Total	<u>\$15,618,270.00</u>	<u>\$15,618,270.00</u>	<u>\$15,618,270.00</u>	<u>\$15,618,270.00</u>	<u>\$9,127,680.00</u>

- The projected change in revenue comparing current law projections to estimated revenue under the provisions of the bill as amended is estimated as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
HB1424 Total	\$15,618,270.00	\$15,618,270.00	\$15,618,270.00	\$15,618,270.00	\$9,127,680.00
Current Law	\$10,418,000.00	\$10,418,000.00	\$10,418,000.00	\$10,418,000.00	\$8,774,950.00
Difference	<u>\$5,200,270.00</u>	<u>\$5,200,270.00</u>	<u>\$5,200,270.00</u>	<u>\$5,200,270.00</u>	<u>\$352,730.00</u>

- Due to the January 1, 2017 effective date, the FY16-17 fiscal impact is estimated to be an increase in state revenue of \$2,600,135 (\$5,200,270 x 0.5). The increase in state revenue for each year FY17-18 through FY19-20 is estimated to be \$5,200,270.
- Due to the transition to the current eight-year renewal cycle and the estimated reduction in the overall number of renewals as a result of the provisions of the bill as amended, the increase in state revenue in FY20-21 is estimated to be \$352,730; and the increase in state revenue in each FY21-22, FY22-23, and FY23-24 is estimated to be \$970,950. However, beginning in FY24-25 and subsequent years, a minimum decrease in state revenue of \$473,048 will extend in to perpetuity.
- Overall volume for the Handgun Permit Division will not change for FY16-17, after January 1, 2017, through FY19-20. Beginning in FY20-21 the Handgun Permit Division will begin to experience a lower volume of SHGCP renewals.
- A decrease in expenditures due to a lower volume of SHGCP renewals beginning in FY20-21 will occur. In FY20-21, an estimated 27,169 cards will not be required. The current vendor price per card is \$2.23. The recurring decrease in state expenditures to the Handgun Permit Division is estimated to exceed \$60,587 (\$2.23 x 27,169 cards).

- A reduction in staffing requirements is expected at some undeterminable point in time. The reduced amount of staffing and the timing for such cannot be reasonably estimated.
- Calculations used in reaching these estimates have been omitted from this fiscal note for the purpose of brevity. However, these calculations are on file with Fiscal Review Committee staff and can be provided upon request.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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